

MEDIA RELEASE

3 March 2011

KENMARK AND ITS DIRECTORS RECEIVE PUBLIC REPRIMAND; 3 DIRECTORS ALSO FINED TOTAL RM2.5 MILLION

Bursa Malaysia Securities Berhad (Bursa Securities) today publicly reprimanded Kenmark Industrial Co. (M) Berhad (KENMARK) and eight of its directors; and fined three of the eight directors a total of RM2,496,800 for various breaches of the listing requirements.

The public reprimand and fine were for breaches of paragraphs 2.18, 9.03, 9.16, 9.22, 9.23, 9.28, 14.08, 14.09, 15.27 and 16.13 of the Bursa Securities Main Market Listing Requirements (Main Market LR) and paragraph 2.1 of Practice Note 1 (PN1).

Enforcement proceedings were commenced against KENMARK notwithstanding that KENMARK had been de-listed, as the breaches were committed while KENMARK was listed on the Official List of Bursa Securities.

Breaches of paragraphs 2.18, 9.03, 9.16, 9.22, 9.23, 9.28, 14.08, 14.09, 15.27 and 16.13 of the Main Market LR and paragraph 2.1 of PN1

1. The breaches committed by KENMARK are as follows :-

No.	Breach
1.	<p>Paragraph 9.16(1)(a) and (c) of the Main Market LR in respect of KENMARK's announcements on 31 May 2010 and 1 June 2010 which failed to contain sufficient information so as to enable investors to make informed investment decisions and were not balanced and fair with regards to the Company's affairs, business, financial condition or prospects as follows :-</p> <p>KENMARK had on 31 May 2010 and 1 June 2010, after being queried by Bursa Securities on the unusual market activities in the Company's securities made the following announcements :-</p> <ul style="list-style-type: none"> • The Managing Director had not been contactable since 25 May 2010 and attempts to contact the Managing Director and the other Executive Director had failed; • The resignation of key executives i.e. the Deputy General Manager and the Finance & Administration Manager; • Certain suppliers had gone into the Company's premises to recover their stock and raw material on 26 May 2010; • EON Bank Berhad (EON) was notified of the situation and had sealed the

MEDIA RELEASE

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	<p>Company's premises at Port Klang on 27 May 2010;</p> <ul style="list-style-type: none"> • A receiver was appointed over the assets of Kenmark Paper Sdn. Bhd. (Kenmark Paper) on 28 May 2010 by EON; • The operations for all the companies in the Group had ceased; • The Company's subsidiaries had defaulted in various credit facilities; • The Company had triggered the prescribed criteria under paragraphs 2.1(f) and (g) of PN17 and classified as a PN17 company; and • The Company was unable to submit the 4th QR 2010 by the due date. <p>However, in KENMARK's announcements on 31 May 2010 and 1 June 2010, the following were stated:-</p> <ol style="list-style-type: none"> i. The Independent Directors <u>needed to take advice</u> on the Company's cessation of operations; ii. The Independent Directors were <u>unable to provide any measures to be taken to address the defaults in view that the Managing Director and the Executive Director were not contactable and the resignation of the Deputy General Manager and the Finance & Administration Manager;</u> iii. The Independent Directors were also <u>unable to assess the financial and legal implications in respect of default in payments and unable to provide a solvency declaration as the Independent Directors have no access to the accounting records of the Company.</u> As a result, the Company had triggered the prescribed criteria under paragraph 2.1(f) of PN 17 and classified as a PN17 company; iv. The Independent Directors announced that the Company triggered the prescribed criteria under paragraph 2.1(g) of PN17 due to the cessation of all its business activities <u>as the key executives of the Company are no longer contactable;</u> v. In respect of the appointment of receiver, the Independent Directors were <u>unable to provide details such as the net book value of the affected assets as the Independent Directors have no access to the latest financials of Kenmark Paper</u> and the Independent Directors were also <u>unable to assess the expected losses arising from the appointment of the receiver;</u> and vi. The reasons for failing to issue the 4th QR 2010 by the due date was <u>because the Managing Director and the Executive Director of the Company were not contactable, the Deputy General Manager and the Finance & Administration Manager of the Company have resigned and the 4th QR 2010 was not made available to the Independent Directors.</u>
2.	Paragraph 9.16(1)(a) and (b) of the Main Market LR in respect of KENMARK's announcement dated 31 May 2010 which was not factual, clear, unambiguous

MEDIA RELEASE

No.	Breach
	<p>and accurate and were misleading.</p> <p>KENMARK had in the announcement dated 31 May 2010 stated that the local authorities have <u>taken control</u> of the Group's operating premises in Vietnam on 25 May 2010 but subsequently clarified on 4 June 2010 that the local authorities <u>were requested to take control</u> of the operating premises <u>to safeguard the assets when some looting occurred during the absence of senior management staff</u>.</p>
3.	<p>Paragraph 9.03(1) of the Main Market LR for failing to make an immediate announcement on :-</p> <ul style="list-style-type: none"> (a) the cessation of KENMARK's operations in Vietnam on 25 May 2010; and (b) the cessation of KENMARK's operations in Malaysia on 27 May 2010. <p>KENMARK only made an announcement that the Group had ceased operations for all the companies in the Group on 31 May 2010.</p>
4.	<p>Paragraphs 9.03(1) and 9.04(1) of the Main Market LR read together with paragraph 2.1(d) of PN1 for failing to make an immediate announcement of :-</p> <ul style="list-style-type: none"> (a) the default in payment of Export-Import Bank of Malaysia Berhad ("EXIM Bank")'s credit facilities as noted from EXIM Bank's letters of demand dated 29 March 2010 ("EXIM Bank's Default"). The credit facilities payable to EXIM Bank as at 31 December 2009 totalling RM59.7 million and USD1.7 million represented approximately 19% of the Company's net assets of RM341.131 million as at 31 March 2009; and (b) the default in payment of EON's credit facilities on 26 May 2010. <p>KENMARK only made an announcement on the above defaults in credit facilities on 31 May 2010.</p>
5.	<ul style="list-style-type: none"> (a) Paragraph 9.16(1)(a) of the Main Market LR in respect of the following press statements made by KENMARK on 4 June 2010 which were not factual, clear, unambiguous, accurate and contain sufficient information so as to enable investors to make informed investment decisions :- <ul style="list-style-type: none"> • the newly appointed directors <u>'saw yesterday that the Company has enough machinery and raw material stock'</u>; and • <u>'there are some debts that can be collected'</u>. (b) Paragraph 9.16(1)(a) and (b) of the Main Market LR in respect of KENMARK's press statement on 4 June 2010 that <u>'the Company has not defaulted on its debts'</u> and announcement dated 4 June 2010 that there was

MEDIA RELEASE

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	<p>no default on the credit facilities that was granted by EON which were not factual, clear, unambiguous and accurate and were false or misleading.</p> <p>The above statement and announcement clearly contradicted KENMARK's announcements dated 31 May 2010 and 2 June 2010 on the defaults in credit facilities (which also made specific references to letters of demand from the banks), the letters of demand dated 7 May 2010 from the solicitors of EXIM Bank and the letters of demand dated 28 May 2010 and 1 June 2010 from the solicitors of EON.</p> <p>(c) Paragraph 9.16(1)(a) and (b) of the Main Market LR in respect of KENMARK's press statement on 4 June 2010 that <u>'none of the key management has resigned except for only one person who has retracted her resignation'</u> which were not factual, clear, unambiguous and accurate and were false or misleading.</p> <p>The statement contradicted KENMARK's announcement on 31 May 2010 that the Deputy General Manager and the Finance & Administration Manager of the Company had resigned and the subsequent confirmation of the Company and the Deputy General Manager to Bursa Securities.</p>
6.	<p>Paragraphs 9.22(1) and 9.23 of the Main Market LR for failing to submit :-</p> <ul style="list-style-type: none"> (a) the Company's quarterly report for the financial year ended 31 March 2010 ("4th QR 2010") on or before 31 May 2010; (b) the Company's quarterly report for the financial year ended 30 June 2010 ("1st QR 2011") on or before 31 August 2010; (c) the Company's annual audited accounts for the financial year ended 31 March 2010 ("AAA 2010") on or before 31 July 2010; and (d) the Company's annual report for the financial year ended 31 March 2010 ("AR 2010") on or before 30 September 2010. <p>KENMARK only submitted the 4th QR 2010 on 7 June 2010, after a delay of 5 market days and has yet to issue the 1st QR 2011, AAA 2010 and AR 2010 as at the date the Company was de-listed on 31 December 2010.</p>
7.	<p>Paragraph 9.28(3) of the Main Market LR for failing to make an announcement to Bursa Securities not later than 3 market days before the due date for submission of the 4th QR 2010 that the Company will not be able to submit the 4th QR 2010 by the due date. KENMARK only made an announcement on 31 May 2010 that the Company will not be able to issue the 4th QR 2010 on 31 May 2010.</p>

MEDIA RELEASE

No.	Breach
8.	Paragraph 15.28 of the Listing Requirements of Bursa Malaysia Securities Berhad ("LR") and paragraph 15.27(1) of the Main Market LR for failing to ensure that there was an internal audit function subsequent to the resignation of the internal auditor on 7 April 2009.

2. Bursa Securities also found the directors of KENMARK to have committed various breaches of the Main Market LR and imposed the following penalties against them :-

No.	Director	Penalty
1.	Hwang Ding Kuo @ James Hwang Managing Director	Public Reprimand & Fine of RM1,327,000
2.	Chang Chin-Chuan Executive Director	Public Reprimand & Fine of RM502,400
3.	Chen Wen-Ling Non-Independent & Non-Executive Director Audit Committee Member	Public Reprimand & Fine of RM667,400
4.	Zainabon @ Zainab binti Abu Bakar Independent & Non-Executive Chairman Audit Committee Chairman (Resigned on 3 June 2010)	Public Reprimand
5.	Yeunh Wee Tiong Independent & Non-Executive Director Audit Committee Member (Resigned on 3 June 2010)	Public Reprimand
6.	Dato' Abd Gani bin Yusof Executive Chairman (Appointed on 3 June 2010)	Public Reprimand
7.	Ho Soo Woon Executive Director (Appointed on 3 June 2010)	Public Reprimand
8.	Woon Wai En Independent & Non-Executive Director Audit Committee Chairman (Appointed on 3 June 2010 and resigned on 5 October 2010)	Public Reprimand

MEDIA RELEASE

The directors are required to pay the fines strictly within the timeframe stated by Bursa Securities, failing which Bursa Securities will take further action including legal action for recovery of the fines against the directors.

3. (a) **James Hwang** was found to have committed the following breaches :-

No.	Breach	Penalty
1.	Paragraph 16.13(a) of the Main Market LR for causing KENMARK's breaches of paragraphs 2(1), (2), (3), (4)(b), (6)(a) and (7) above relating to disclosure.	Public Reprimand & Fine of RM1,000,000
2.	Paragraph 16.13(b) of the Main Market LR for permitting knowingly or where he had reasonable means of obtaining such knowledge KENMARK's breach of paragraphs 9.03(1) and 9.04(1) of the Main Market LR read together with paragraph 2.1(d) of PN1 to make an immediate announcement of the default in payment of EXIM Bank's credit facilities.	Public Reprimand & Fine of RM100,000
3.	Paragraph 16.13(b) of the Main Market LR for permitting knowingly or where he had reasonable means of obtaining such knowledge KENMARK's breach of paragraph 9.23(1) of the Main Market LR to submit the AAA 2010 on or before 31 July 2010 until the appointment of the provisional liquidators on 18 August 2010.	Public Reprimand & Fine of RM12,000
4.	Paragraph 16.11(b) of the LR and paragraph 16.13(b) of the Main Market LR for permitting knowingly or where he had reasonable means of obtaining such knowledge KENMARK's breach of paragraph 15.28 of the LR and paragraph 15.27(1) of the Main Market LR to ensure that there was an internal audit function subsequent to the resignation of the internal auditor on 7 April 2009.	Public Reprimand & Fine of RM100,000
5.	Paragraph 2.18(3) of the Main Market LR for failing to notify Bursa Securities that the solvency declaration dated 30 November 2009 lodged with Bursa Securities to enable the Company to undertake share buy-backs ("the Solvency Declaration") no longer fulfils the requirements of paragraph 2.18(1) of the Main Market LR in the light of the EXIM Bank's Default.	Public Reprimand & Fine of RM100,000

MEDIA RELEASE

No.	Breach	Penalty
	James Hwang had authorised KENMARK to undertake share buy-backs of approximately RM667,199.56 from January 2010 to May 2010 where he knew or was in a position to know that the Solvency Declaration no longer fulfilled the requirement of paragraph 2.18(1) of the Main Market LR in the light of the EXIM Bank's Default.	
6.	<p>Paragraphs 14.08(a), (c) and (d) and 14.09 of the Main Market LR for failing to give the requisite notices of James Hwang's dealings in KENMARK's shares from 16 April 2010 to 18 June 2010.</p> <p>The disposal of a total of 47,099,300 of James Hwang's securities from 16 April 2010 to 18 June 2010 represents approximately 26.4% of the Company's issued and paid-up capital.</p> <p>James Hwang had ceased to be a substantial shareholder of the Company based on the balance as at 16 June 2010 arising from the disposal of his securities.</p>	Public Reprimand & Fine of RM15,000

(b) **Chang Chin-Chuan** was found to have committed the following breaches :-

No.	Breach of the LR	Penalty
1.	Paragraph 16.13(b) of the Main Market LR for permitting where he had reasonable means of obtaining such knowledge, KENMARK's breaches of paragraphs 2(1), (2), (3), (4)(b), (6)(a) and (7) above relating to disclosure.	Public Reprimand & Fine of RM500,000
2.	Paragraph 16.13(b) of the Main Market LR for permitting knowingly or where he had reasonable means of obtaining such knowledge, KENMARK's breach of paragraphs 9.03(1) and 9.04(1) of the Main Market LR read together with paragraph 2.1(d) of PN1 to make an immediate announcement of the EXIM Bank's Default.	Public Reprimand
3.	Paragraph 16.13(b) of the Main Market LR for permitting knowingly or where he had reasonable means of obtaining such knowledge KENMARK's breach of paragraph 9.23(1)	Public Reprimand & Fine of RM2,400

MEDIA RELEASE

No.	Breach of the LR	Penalty
	of the Main Market LR to submit the AAA 2010 on or before 31 July 2010 until the appointment of the provisional liquidators on 18 August 2010.	
4.	Paragraph 16.11(b) of the LR and paragraph 16.13(b) of the Main Market LR for permitting knowingly or where he had reasonable means of obtaining such knowledge KENMARK's breach of paragraph 15.28 of the LR and paragraph 15.27(1) of the Main Market LR to ensure that there was an internal audit function subsequent to the resignation of the internal auditor on 7 April 2009.	Public Reprimand

(c) **Chen Wen-Ling** was found to have committed the following breaches :-

No.	Breach of the LR	Penalty
1.	Paragraph 16.13(b) of the Main Market LR for permitting where she had reasonable means of obtaining such knowledge, KENMARK's breaches of paragraphs 2(1), (4) (b), (6)(a) and (7) above relating to disclosure.	Public Reprimand & Fine of RM500,000
2.	Paragraph 16.13(b) of the Main Market LR for permitting knowingly or where she had reasonable means of obtaining such knowledge, KENMARK's breach of paragraphs 9.03(1) and 9.04(1) of the Main Market LR read together with paragraph 2.1(d) of PN1 to make an immediate announcement of the EXIM Bank's Default.	Public Reprimand & Fine of RM50,000
3.	Paragraph 16.13(b) of the Main Market LR for permitting knowingly or where she had reasonable means of obtaining such knowledge KENMARK's breach of paragraph 9.23(1) of the Main Market LR to submit the AAA 2010 on or before 31 July 2010 until the appointment of the provisional liquidators on 18 August 2010.	Public Reprimand & Fine of RM2,400
4.	Paragraph 16.11(b) of the LR and paragraph 16.13(b) of the Main Market LR for permitting knowingly or where she had reasonable means of obtaining such knowledge KENMARK's breach of paragraph 15.28 of the LR and	Public Reprimand

MEDIA RELEASE

No.	Breach of the LR	Penalty
	paragraph 15.27(1) of the Main Market LR to ensure that there was an internal audit function subsequent to the resignation of the internal auditor on 7 April 2009.	
5.	<p>Paragraph 2.18(3) of the Main Market LR for failing to notify Bursa Securities that the Solvency Declaration no longer fulfils the requirements of paragraph 2.18(1) of the Main Market LR in the light of the EXIM Bank's default.</p> <p>Chen Wen-Ling had allowed KENMARK to undertake share buy-backs of approximately RM667,199.56 from January 2010 to May 2010 where she knew or was in a position to know that the Solvency Declaration no longer fulfilled the requirement of paragraph 2.18(1) of the Main Market LR in the light of the EXIM Bank's Default.</p>	Public Reprimand & Fine of RM100,000
6.	<p>Paragraphs 14.08(a), (c) and (d) and 14.09 of the Main Market LR for failing to give the requisite notices of Chen Wen-Ling's dealings in KENMARK's shares from 16 April 2010 to 13 July 2010.</p> <p>The disposal of a total of 21,211,500 Chen Wen-Ling's securities from 16 April 2010 to 13 July 2010 represents approximately 12% of the Company's issued and paid-up capital.</p> <p>Chen Wen-Ling had ceased to be a substantial shareholder of the Company based on the balance as at 13 July 2010 arising from the disposal of her securities.</p>	Public Reprimand & Fine of RM15,000

- (d) The former Independent and Non-Executive Directors, **Zainabon @ Zainab binti Abu Bakar** and **Yeunh Wee Tiong** are publicly reprimanded for the following breaches :-

No.	Breach
1.	Paragraph 16.13(b) of the Main Market LR for permitting knowingly or where they had reasonable means of obtaining such knowledge, KENMARK's breach of paragraphs 9.03(1) and 9.04(1) of the Main Market LR read together with paragraph 2.1(d) of PN1 to make an immediate announcement of the EXIM

MEDIA RELEASE

No.	Breach
	<p>Bank's Default.</p> <p>They were informed of the letters of demand from EXIM Bank dated 29 March 2010 on 2 April 2010. Their representations on the negotiation with EXIM Bank and the assurance of management that the matter was being resolved do not absolve their obligation to ensure compliance with the requirement of an immediate announcement under paragraph 2.1(d) of PN1 with regards to the clear default in payment to EXIM Bank as stated in EXIM Bank's letters of demand dated 29 March 2010.</p>
2.	<p>Paragraph 16.11(b) of the LR and paragraph 16.13(b) of the Main Market LR for permitting knowingly or where they had reasonable means of obtaining such knowledge KENMARK's breach of paragraph 15.28 of the LR and paragraph 15.27(1) of the Main Market LR to ensure that there is an internal audit function subsequent to the resignation of the internal auditor on 7 April 2009.</p>

- (e) The newly appointed directors, **Dato' Abd Gani bin Yusof, Ho Soo Woon** and **Woon Wai En** are publicly reprimanded for breach of paragraph 16.13(b) of the Main Market LR for permitting knowingly or where they had reasonable means of obtaining such knowledge, KENMARK's breach of paragraph 9.16(1)(a) and (b) of the Main Market LR in respect of the Company's press statements on 4 June 2010 and announcement on 4 June 2010 as stated at paragraph 2(5) above.

Notwithstanding that they were newly appointed, as directors, they should have exercised reasonable care and diligence. In this regard, they should have ensured that they were fully apprised of the state of operations and financial condition of the Company prior to the press conference on 4 June 2010 and issuing press statements about the Company. As directors, they were under an obligation to ensure all representations about the Company must be factual, clear, unambiguous, accurate, succinct and contain sufficient information to enable investors to make informed investment decisions and were balanced and fair with regards to the Company's state of operations and financial condition pursuant to the listing requirements. This is more so in view of the turmoil and the need for clarity to the market and shareholders on the status of the Company at the material time.

4. The finding of breaches and imposition of the above penalties on KENMARK and the directors are made pursuant to paragraph 16.19 of the Main Market LR upon completion of due process and after taking into consideration all facts and circumstances of the matter including the materiality and impact of the breaches and in relation to the

MEDIA RELEASE

directors, their awareness, knowledge and respective roles and responsibilities in the Company.

The uncertainty in KENMARK's affairs, business, financial condition or prospects had resulted in a material decrease to the Company's share price which had dropped from RM0.78 on 26 May 2010 to RM0.33 on 27 May 2010, RM0.105 on 31 May 2010 and RM0.06 on 1 June 2010 and effectively wiped out approximately RM128 million of the Company's market value.

It is noted that the entire smooth operation and management of the affairs of the Company was overly dependent on the Managing Director, James Hwang and there was failure to ensure that there were in place the proper and necessary controls and processes including proper internal control and risk management to ensure the continuity of the Company's business and affairs and compliance with the listing requirements in his absence.

Bursa Securities also found that notwithstanding Chen Wen-Ling was designated as a Non-Executive Director, she was in fact involved in the financial management of the Company.

5. Bursa Securities views the above contraventions seriously as the requirement for companies to make timely and accurate disclosure of material information to enable investors to make informed investment decisions in accordance with the listing requirements is one of the fundamental obligations of companies listed on the Official List of Bursa Securities.

The internal audit function is also fundamental as it serves to ensure an independent and regular review and appraisal of the effectiveness of the risk management, internal control and governance processes within a listed company.

-End-

Bursa Malaysia Berhad is a public company limited by shares under the Companies Act 1965. Bursa Malaysia is an approved exchange holding company under Section 15 of the Capital Markets and Services Act 2007. This fully integrated exchange offers equities, derivatives, offshore, bonds as well as Islamic products, offering a diverse range of investment choices globally.



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